Fiscal Research Program

THE TAXATION OF PERSONAL PROPERTY IN GEORGIA

Dagney Faulk

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EXECUTIVE SUMMARY

This report examines the personal property tax system in Georgia. The purpose of the report is to provide information on the structure of the current personal property tax system and the revenue that it generates both within the state and relative to other states, and to investigate potential reforms. The major issues addressed in this report are the costs of administration and compliance and the uniformity of treatment both within and among counties.

Major Findings

- Personal property accounts for a substantial share (13.7 percent in 1996) of taxable property values in the state.
- Personal property as a share of total net assessed property value varies widely across counties, ranging from 1.4 percent to 45.3 percent.
- The assessed value of personal property is concentrated in metropolitan areas (66.5 percent).

- Over the past several decades personal property has been a declining share of local taxable assessed value for all states. In the south, personal property is generally a larger share of local taxable assessed value than in other regions of the U.S.

- Georgia exempts a small number of personal property categories relative to most states.

- There is great variation in auditing practices among counties. Some counties audit a fixed proportion of personal property tax accounts each year while other counties conduct no audits. This variation contributes to problems with uniform treatment of personal property among counties.

Concerns of tax payers and tax administrators

- Business groups are concerned with inconsistent treatment across and within counties and with the depreciation of machinery and equipment for which technology is rapidly advancing.

- Major concerns of tax administrators are the assessment of older items and idle equipment and the implementation of changes resulting from court cases.

Possible Reforms

- Eliminate the personal property tax. This option would have a substantial effect on revenues, decreasing revenues by approximately 13.7 percent on average.

- Expand the list of exemptions. This may increase the number of business start ups since it lowers the cost of doing business in the state, but it may have a substantial impact on revenues.

- Increase the minimum value of the exemption on domestic animals and tools of trade ($300 currently) and total value ($500 currently) to remove small accounts from the property tax system. This option would reduce administrative costs and have a very small impact on revenues (less than a three percent reduction for even a large increase).

- Change the exemption to a deduction. This would increase the equity of the system but may cause owners of property to subdivide accounts if the deduction is large.

- Replace the current depreciation schedule with the federal depreciation schedules to reduce compliance costs and potentially increase returns to auditing. Disadvantages are the General Assembly will have pass legislation each time there is a change in the federal schedule, and it would cause a substantial reduction (36 to 83 percent) in tax revenues. In addition, the choice of two federal depreciation schedules affects the uniformity of treatment of personal property.

- Require counties to conduct audits. This option would increase the uniformity of treatment of personal property among counties. Some counties may not have the administrative capacity to conduct audits.

- Increase the penalty for misreporting personal property to improve the uniformity of treatment among firms within the personal property tax system. This may not be popular with business groups.

- Develop and implement a procedural manual for county property tax officials to provide standards which should increase uniformity of treatment between counties. The manual should include supplements that address recent court decisions concerning the treatment of property. (This manual is currently under review.)

- Develop a way of measuring uniformity for personal property, similar to sales ratio studies for real property, to provide a method for evaluating county performance.

I. Current Georgia Personal Property Tax Law

A. Definition of Personal Property Tax

The Constitution of the State of Georgia requires uniform ad valorem taxation of real and personal property that is not exempted by law (Article VII Section I Part III). Personal property consists of all tangible and intangible personal property[1] where tangible personal property is property that is moveable in nature and can be seen, weighed, measured, felt, touched or is otherwise perceptible to the senses. Inventories, livestock, machinery and equipment are examples of personal property.

B. Exemptions

Georgia statutes list items that are exempt from personal property taxation. These items are:

- All public property including property owned by nonprofit and religious organizations and colleges (OCGA 48-5-41).

- Farm products grown in the state and remaining in the hands of the producer for at least one year (OCGA 48-5-41).

- Personal clothing and effects and property used within the home if not held for resale (OCGA 48-5-42).

- Domestic animals and tools of trade valued at less than $300 (OCGA 48-5-42).

- Tangible personal property worth less than $500 in total (OCGA 48-5-42.1).

- Fertilizers if the land is taxed (OCGA 48-5-43).

- Freeport exemption of manufactured, processed, or stored inventory destined for shipment to a final destination outside the state (OCGA 48-5-48.2).

C. Assessment

All property in Georgia is assessed at 40 percent of its Fair Market Value (FMV), where FMV is defined as the amount a knowledgeable buyer would pay and the amount a willing seller would accept for the property in an arm's length transaction (OCGA 48-5-7, 48-5-2). The assessment process should provide a systematic way of collecting and analyzing data so that objective estimates of property value are established.

II. Administration of the Personal Property Tax

A. Filing

There are five different forms associated with filing personal property tax in Georgia: (1) business personal property report, (2) agricultural personal property report, (3) aircraft personal property report, (4) marine personal property report, and (5) application for inventory/freeport exemption. Georgia law requires owners of personal property in Georgia to file a return in the county where the owner resides. In most counties personal property tax reports should be filed between January 1 and April 1. In some counties the law specifies that returns should be filed between January 1 and March 1. For real property, in contrast, Georgia residents are required to file a return in the county where the property is located. Nonresidents are required to file a return in the county where the property (real or personal) is located. Property taxes are due by December 20 unless otherwise established by law. An exception exists for counties with a population between 400,000 and 500,000 where taxes are due August 15.

B. Depreciation (Valuing Property For Which Market Value Cannot Be Established)

Georgia law allows assessors to use the original cost of the property, depreciation or obsolescence and increased value due to inflation as factors in determining value of personal property. The current depreciation schedules recommended by the Georgia Department of Revenue divide depreciable personal property into four groups: (1) property with a useful life of 1 - 7 years, (2) property with a useful life of 8 - 12 years, (3) property with a useful life of 13 or more years and (4) computer equipment. See Table 1 for a description of appropriate property and the Appendix for the current recommended depreciation schedule. The basis for depreciation is the original cost of the property. Property is depreciated by a fixed percentage each year and all property is taxed based on some minimum residual value regardless of its purported useful life. The depreciation schedule includes an index factor which adjusts the value of property due to inflation. Note that this depreciation schedule is *recommended* by the Department of Revenue. County tax officials are not required to use them. (If the Appraisal Procedures Manual currently under review is adopted, the state depreciation schedule will be required.)

C. Audits

County tax officials are responsible for auditing personal property tax returns. Auditors may be on staff or the county may contract with a private firm to perform audits. Two auditing methods are used: desk audits and physical (field) audits. Desk audits occur when counties require firms to submit financial accounting records with their personal property tax forms and then use a firm's financial accounting records to verify property and values reported on the personal property tax forms. In Gwinnett County, for example, the majority of personal property tax returns include financial accounting records with their personal property tax forms and are audited in this manner.

Table 1. Examples of Personal Property in each Depreciation Group

Group 1 **Useful Life of 1-7 years**	**Group 2** **Useful Life of 8-12 years**	**Group 3** **Useful Life of 13 years & over**	**Group 4** **Computer Equipment**
Assets with a short economic life, expected to be replaced within 7 years.	Assets with an average economic life, expected to be replaced within 8 to 12 years.	Assets with a long economic life, expected to be in service for 13 or more years.	Nonproduction computer equipment that has a short economic life, expected to be replaced within 7 years.
• Copiers	• Automobile Repair Shop Equipment	• Billboards/Signs	• Computers
• Manufacturing Electronic Equipment	• Barber/Beauty Shop Equipment	• Cold Storage and Ice Making Equipment	• Modems
• Hand Tools	• Cable Television	• Industrial Steam and Electric Generators	• Plotters
• Logging and Timber Cutting Equipment	• Hospital Furnishings and Equipment	• Most Manufacturing Equipment	• Printers
• Portable Sawmills	• Hotel & Motel Furnishings and Equipment	• Piping Systems	• Scanners

• Radio and Television Broadcasting	• Laundry Equipment	• Radio/T.V. Antennas and Towers	• Tape Readers
• Rental Appliances and Televisions	• Office Furniture and Equipment	• Tanks and Storage	• Terminals
• Research and Development Equipment	• Restaurant and Bar Equipment	• Water Systems	
• Tooling, dyes, jigs, molds, patterns	• Retail Trades Furniture and Fixtures		
• Coin-operated vending equipment			

Source: 1997 Personal Property Tax Forms

Physical audits occur on site. An auditor will visit the headquarters of a business and access property records. This is the usual auditing method for large firms with more complicated financial reporting systems. In Gwinnett County about 25 percent of the personal property tax accounts (a few small companies but mainly large corporations) are audited in this manner annually. Other counties interviewed audit a much smaller proportion of accounts. The state collects no systematic data regarding the number of audits conducted in each county.

D. Utilities

In Georgia utility property is a separate property class and is not part of the personal property tax base. The State Revenue Commissioner makes an annual report to each county's board of tax assessors to determine the extent of public utility property located in each county. The report covers the various classes of utility property, the gross or net investment in the property, how the property is used, etc. This report provides a basis for determining the distribution of utility property between the various tax jurisdictions. By March 1 of each year, the Chief Executive Officer of each public utility files a property tax return to the State Revenue Commissioner for all property located in the state. The assessment of all public utility property is proposed by the State Board of Equalization and then assessed by each county's board of tax assessors.

The assessment of railroad equipment is determined by the State Board of Equalization. Taxes are collected by the State Revenue Commissioner and distributed to various counties. Railroads are taxed according to the rolling stock of the company. Taxable value is determined by comparing the market value of the rolling stock and personal property in Georgia versus the entire length of the railroad in the country.

Airlines doing business in the state file an annual property tax return with the State Revenue Commissioner by March 1 of each year reporting the value of each type and model of flight equipment that operates in the state. The distribution of tax revenue to each jurisdiction is based as closely as possible on the distribution of plane hours over or in each jurisdiction.

III. Revenue Generation

A. Share of Property Tax Revenue

Table 2 shows assessed personal property value as a share of taxable assessed value for each of the counties in Georgia. Personal property is approximately 13.7 percent of general taxable property values in the state. Motor vehicles and mobile homes are separate property classes in Georgia and account for ten percent of total assessed property value in the state. The remaining 76% of total assessed property value in 1996 is real property.

Personal property as a proportion of total net assessed property value varies widely across counties, ranging from 1.4 percent in Burke County to 45.3 percent in Twiggs County. The variation may result from differing amounts of personal property among counties and from differences in the administration of personal property taxation among counties. For example, the amount of personal property is positively correlated with the number of manufacturing firms in a county. Thus the total assessed value of personal property will vary with the industrial structure of the county. One of the largest differences in administration of the personal property tax concerns auditing practices. Some counties regularly audit their personal property tax accounts while others basically do no auditing, but simply accept the numbers and values of property that businesses record on their property reports. Thus, to the extent that businesses do not file personal property tax returns or submit incorrect returns, variation in the level of auditing may lead to differences in the assessed value of personal property among counties. While sales ratio studies are used to monitor uniformity in the treatment of real property among counties, no similar measure is used for personal property.

Table 2. Assessed Taxable Value of Personal Property, by County, 1996

County	Total Net Taxable	Percent Person	Percent Motor	County	Total Net Taxable	Percent Personal	Percent Motor

	Assessed Value	al	Vehicles & Motor Homes		Assessed Value		Vehicles & Motor Homes
Appling	615106200	5.9	6	Jefferson	251345748	20.7	12.6
Atkinson	88245046	15.5	12.8	Jenkins	104673974	9.6	14.9
Bacon	137299273	14.9	14.8	Johnson	88821542	5.1	17.1
Baker	93054849	13.6	8.5	Jones	322941291	7.5	17.8
Baldwin	481605765	10.2	15.1	Lamar	215316069	12.2	13.5
Banks	259304295	15.4	11.8	Lanier	64489932	7.2	15.1
Barrow	583554829	13.5	13.7	Laurens	763251763	27.3	12.1
Bartow	1566405132	24	9.6	Lee	278593079	7.9	16.7
Ben Hill	218070773	14.5	13.2	Liberty	476463240	8.5	12.4
Berrien	218694208	22.7	15.2	Lincoln	107551067	8.5	17.6
Bibb	2711509088	23.6	10.2	Long	93359940	4.4	14.6
Bleckley	130500872	17	17.5	Lowndes	1323120344	18.8	10.6
Brantley	146663139	6.4	17.2	Lumpkin	328756466	7.3	11.2
Brooks	206763561	10	13.3	Macon	236799256	34.7	9.9
Bryan	345713863	4.4	12.1	Madison	344939523	8.5	15.2
Bulloch	744597059	17.5	12.2	Marion	96056637	8.4	12
Burke	1788009940	1.4	2.3	McDuffie	313322760	18.2	13.8
Butts	258872102	8.3	11.5	McIntosh	160111596	9	9.8
Calhoun	86959882	17.5	14	Meriwethe	252726752	12.8	15.2

Camden	573030904	12.6	9.4	Miller	101657809	10.9	12.4
Candler	129663941	13.1	14.3	Mitchell	319670337	14.8	11.9
Carroll	1144588668	13.2	13.9	Monroe	821423021	4.3	5.8
Catoosa	683411141	12.3	12.4	Montgomery	85970521	9	15.3
Charlton	145357153	11.9	10.3	Morgan	309456069	20.8	9.3
Chatham	4689488486	18.9	8.4	Murray	462145200	25.2	13.7
Chattahoochee	29694955	16.4	20.6	Muscogee	2773749764	19.6	9.1
Chattooga	332721306	31.3	11.8	Newton	844345496	13.3	11.9
Cherokee	2270157498	5.4	12.7	Oconee	460970527	4.8	11.3
Clarke	1523686294	16.9	8.6	Oglethorpe	169130883	6.4	13.9
Clay	51792565	12.5	8.8	Paulding	845430272	4.2	15.9
Clayton	4310455575	17	12.4	Peach	289137694	16	13.6
Clinch	114764312	10.3	10.6	Pickens	349961274	8	15.3
Cobb	13108784711	10	10.1	Pierce	181976763	11.3	16.9
Coffee	498363564	19.8	15.9	Pike	175012211	4.8	14.9
Colquitt	497523461	16.8	15.5	Polk	440684761	12	14.2
Columbia	1588319061	6.6	11.6	Pulaski	120667883	14.7	13.7
Cook	187801957	21.9	14.3	Putnam	473154632	5.9	7
Coweta	146938942	10.7	10.6	Quitman	31562653	5.3	10.9

	6						
Crawford	123912328	4.4	16.1	Rabun	617648890	14.3	5.9
Crisp	299861936	15.5	13.6	Randolph	106412867	21.6	10.8
Dade	157734018	9.7	12.8	Richmond	3083925093	22.8	10.4
Dawson	278054112	6.1	11.6	Rockdale	1358734211	12.9	11.9
De Kalb	12478509831	10.9	9.7	Schley	46685409	10.8	15.3
Decatur	448549825	22	11.2	Screven	197260891	13.4	11.9
Dodge	184436453	7.2	17.6	Seminole	136691220	11.5	13.7
Dooly	169542527	20.2	12.4	Spalding	776937970	14.2	13.4
Dougherty	1441227703	24	11.4	Stephens	384542079	20.4	11.3
Douglas	1517005195	7.3	12.9	Stewart	83541130	4.4	13.9
Early	256577885	29.2	10.3	Sumter	402022583	21.1	15.5
Echols	61561582	6.7	11.2	Talbot	84026086	7.3	13
Effingham	502621090	4.7	17.1	Taliaferr	42644768	3.7	7.8
Elbert	288676219	16.2	13	Tattnall	203223080	10.2	15.5
Emanuel	273170178	11.4	13.9	Taylor	105110982	10.7	15
Evans	119692508	17.3	17.1	Telfair	153957884	18.4	12.2
Fannin	306482323	6	12.8	Terrell	155215054	17.7	11.4
Fayette	1933048602	7.8	10.5	Thomas	664391621	18.5	13.5

Floyd	1830284927	19.2	9.2	Tift	560574796	18.7	15.9
Forsyth	2077475208	10.4	9.7	Toombs	325266681	15.2	12.9
Franklin	322313192	25.3	12.5	Towns	210683689	3.4	11.4
Fulton	21999002104	13.6	6.6	Treutlen	54539189	7.1	11.9
Gilmer	385313253	7.1	10.9	Troup	1044947868	24.9	10.1
Glascock	48033918	25.3	11	Turner	138800451	17.2	12.7
Glynn	1771007481	11.8	7.6	Twiggs	182249298	45.3	9.4
Gordon	799708328	29.9	10.2	Union	352353805	4.4	10.1
Grady	293562315	16.6	13.2	Upson	364313000	19.5	13.1
Greene	334273214	8.6	7.3	Walker	677737641	15	13.7
Gwinnett	10672139551	8.2	10.6	Walton	825493886	8.3	12.7
Habersham	611408769	13.6	12.4	Ware	437679729	12.9	14.8
Hall	2474706910	21.8	10.8	Warren	95496985	15.3	10.7
Hancock	143557487	3.5	7.4	Washington	395585299	27.4	12.6
Haralson	307361922	13.2	15.8	Wayne	424038594	33.4	11.4
Harris	448418666	4.3	11	Webster	38339770	12.2	12.8
Hart	479719329	18	8.6	Wheeler	64335230	7.3	16
Heard	235484001	3.5	7.1	White	385530061	8.7	11.6
Henry	1821450741	7	11.3	Whitfield	1858541380	36	10.4

Houston	1457009698	10.2	13.6	Wilcox	97070260	12.1	13.2
Irwin	139119088	9.3	13.6	Wilkes	221087715	20.8	10.3
Jackson	573204768	16	13.5	Wilkinson	241037012	33.9	8.8
Jasper	185476481	8	11.4	Worth	281098091	13.7	16.9
Jeff Davis	184051874	26.4	13.8	State Total	147423193391	13.7	10.3

Source: Georgia Department of Revenue, Property Tax Division, 1996 County Tax Digest

There is substantial variation in the taxable value of personal property between metropolitan and nonmetropolitan areas in the state. Table 3 shows the assessed taxable value of personal property for each Metropolitan Statistical Area (MSA) in the state. Metropolitan areas have 66 percent of total personal property value assessed in the state, implying that personal property tax revenue is concentrated in metropolitan areas, particularly in the Atlanta metropolitan area which contains 46 percent of personal assessed property value. This high percentage results from the large number of counties that make up the Atlanta MSA and the high concentration of industry in the MSA. Personal assessed value is the highest proportion of total net assessed value (21.4%) in the Albany MSA. Augusta has the highest assessed value of personal property per capita ($6,978) while the per capita amounts for the remaining MSAs is fairly uniform, ranging from $1100 to $3000.

Table 4 shows that assessed taxable value of motor vehicles and mobile homes across MSAs. Approximately 70 percent of the assessed value of motor vehicles and mobile homes is concentrated in metropolitan areas, with the Atlanta MSA again containing the largest proportion (52 percent) of assessed property value of motor vehicles and mobile homes in the state. The distribution of assessed value of mobile homes and motor vehicles does not vary widely across MSAs, ranging between 9 and 13 percent of net assessed property value. The Augusta MSA has the highest per capita assessment of motor vehicles and mobile homes ($4434) while the Columbus MSA has the lowest ($620).

Table 3. Assessed Taxable Value of Personal Property, by MSA, [2] 1996

MSA City	**Assessed Taxable Value of Personal Property**	**Total Net Assessed Taxable Value of all Property**	**Personal as a Percent of Net Assessed Value**	**MSA Personal as a Percent of Total MSA Personal**	**MSA Personal as a Percent of State Personal**	**Per Capita Assessed Value of Personal Property**
Albany	$368,297,252	$1,719,820,78	21.4%	2.7%	1.8%	$3,079

		2				
Athens	$309,450,885	$2,329,596,344	13.3%	2.3%	1.5%	$1,924
Atlanta	$9,286,545,216	$81,952,870,180	11.3%	69.0%	45.9%	$2,938
Augusta	$864,983,848	$4,985,566,914	17.3%	6.4%	4.3%	$6,978
Chattanooga	$200,572,891	$1,518,882,800	13.2%	1.5%	1.0%	$2,777
Columbus	$568,267,298	$3,251,863,385	17.5%	4.2%	2.8%	$1,149
Macon	$943,058,338	$4,962,847,069	19.0%	7.0%	4.7%	$2,065
Savannah	$924,974,506	$5,537,823,439	16.7%	6.9%	4.6%	$2,805
MSA Total	$13,466,150,234	$105,980,677,834	12.7%	100.0%	66.5%	$2,738
State Total	$20,236,260,306	$147,423,193,391	13.7%			$2098

Source: Georgia Department of Revenue, Property Tax Division, 1996 County Tax Digest.

Table 4. Assessed Taxable Value Motor Vehicles and Mobile Homes, by MSA, 1996

MSA City	**Assessed Taxable Value of Motor Vehicles & Mobile Homes**	**Total Net Assessed Taxable Value of all Property**	**MSA MVMH as a percent of Total Net Assessed Value**	**MSA MVMH as a percent of Total MSA MVMH**	**MSA MVMH as a percent of state MVMH**	**Per Capita Assessed Value of Motor Vehicles and Mobile Homes**
Albany	$210,720,818	$1,719,820,782	12.25%	2.00%	1.39%	$1,762
Athens	$236,289,965	$2,329,596,344	10.14%	2.24%	1.56%	$1,470
Atlanta	$7,944,944,566	$81,952,870,180	9.69%	75.27%	52.53%	$2,514
Augusta	$549,630,882	$4,985,566,914	11.02%	5.21%	3.63%	$4,434

Chattanooga	$197,849,151	$1,518,882,800	13.03%	1.87%	1.31%	$2,739
Columbus	$306,647,129	$3,251,863,385	9.43%	2.91%	2.03%	$620
Macon	$589,263,615	$4,962,847,069	11.87%	5.58%	3.90%	$1,291
Savannah	$519,687,192	$5,537,823,439	9.38%	4.92%	3.44%	$1,576
MSA Total	$10,555,033,318	$106,259,270,913	9.93%	100.00%	69.79%	$2,146
State Total	$15,124,559,181	$147,423,193,391	10.26%			$2807

Source: Georgia Department of Revenue, Property Tax Division, 1996 County Tax Digest.

IV. Comparisons with Other States

A. The Role of the Personal Property Tax in Property Assessment

As Table 5 shows, between 1956 and 1991 (the latest year for which data is available) the personal property tax has been a decreasing share of local taxable assessed value in many states. In Georgia, personal property decreased from 36.6 percent of locally assessed value in 1956 to 17.7 percent in 1991. Many factors, including public disenchantment with this form or taxation, lack of compliance or evasion, and poor assessment practices, may have contributed to this decline. A total of nine states did not tax personal property in 1991. In the South, personal property is a larger share of local taxable assessed value than in other geographic regions. Personal property as a share of net taxable assessed value varied widely across states in 1991, from 0.7 percent in New Jersey to 50 percent in West Virginia. This wide variation results in part from differences in the personal property tax base (discussed below); New Jersey exempts many types of property while West Virginia has very few exemptions.

B. Differences in the Personal Property Tax Base

The personal property exemptions offered by the states vary widely (Table 6). A total of 33 states fully exempt and three states partially exempt business inventories while nine states fully exempt agricultural personal property, 35 fully exempt household personal property, and 32 fully exempt motor vehicles. (Motor vehicles may be taxed as a separate property class instead of as personal property.)

Table 5. Locally Assessed Personal Property as a Share of Net Locally Taxable Assessed Value, by State, Selected Years, 1956-1991 (percent)

Region and State	**1956**	**1961**	**1966**	**1971**	**1976**	**1981**	**1986**	**1991**

Northeast								
Connecticut	26.1	22.7	22.4	21.7	19.4	15.0	16.7	14.5
Rhode Island	21.9	20.9	22.8	21.7	21.5	21.1	16.7	16.2
Maine	20.1	17.6	16.8	17.2	11.3	12.9	12.6	10.2
Vermont	16.3	14.6	12.3	10.2	8.5	8.0	7.7	5.6
Massachusetts	8.9	8.9	6.6	6.1	5.8	3.7	3.0	2.3
New Jersey	12.9	11.5	5.5	2.0	2.0	1.6	1.2	0.7
New Hampshire	9.6	8.3	7.3	1.2	0.2	0.0	0.0	0.0
New York	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pennsylvania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North Central								
Kansas	27.0	25.5	23.6	22.9	31.8	36.5	29.6	20.1
Indiana	32.5	32.3	28.4	21.5	26.0	25.7	26.1	23.2
Missouri	22.2	20.9	21.4	22.4	20.0	26.7	19.3	21.6
Nebraska	23.7	26.3	24.9	24.7	23.7	13.7	13.8	14.3
Michigan	30.5	27.1	23.3	24.1	13.6	11.5	12.7	12.3
Ohio	23.2	23.6	1.6	1.9	6.6	5.7	5.8	5.7
Wisconsin	17.4	15.3	15.9	16.0	15.1	3.9	4.7	5.2
Minnesota	20.0	18.9	12.2	7.0	0.4	0.2	0.2	1.0
Illinois	19.1	17.8	19.0	15.6	12.7	0.0	0.0	0.0
Iowa	14.9	14.5	13.4	9.7	6.1	4.4	0.0	0.0
North Dakota	22.3	20.9	20.2	0.0	0.0	0.0	0.0	0.0

South Dakota	27.8	25.0	24.1	22.1	21.1	0.0	0.0	0.0
West								
Montana	32.3	30.6	28.9	30.4	31.3	25.1	15.0	25.7
Utah	16.6	17.5	16.7	16.0	14.5	12.3	14.8	19.0
Idaho	17.6	15.7	15.7	10.9	12.3	14.1	10.6	15.6
Arizona	21.7	16.9	13.4	7.5	8.6	7.3	9.5	12.5
Colorado	19.4	17.1	13.7	13.0	10.0	9.2	9.2	11.3
Wyoming	17.6	16.9	16.9	16.5	11.6	8.8	8.4	37.2
Nevada	17.9	18.7	10.2	12.4	13.2	9.4	7.3	10.7
California	15.9	14.5	11.9	10.2	10.0	6.1	6.3	6.3
Washington	20.9	18.3	17.6	16.7	15.3	13.3	6.2	6.0
Oregon	19.6	13.7	12.6	11.6	7.9	5.0	5.9	4.9
Alaska	na	18.3	18.1	19.3	12.7	7.2	5.3	12.3
New Mexico	7.2	10.1	11.9	9.8	6.0	6.2	4.2	5.5
Hawaii	na	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South								
West Virginia	36.4	30.2	31.0	32.6	39.6	41.6	41.7	50.0
North Carolina	33.3	29.7	28.1	30.5	29.2	30.1	29.9	21.9
South Carolina	42.4	13.2	15.1	13.0	15.0	27.0	27.2	32.1
Mississippi	33.4	32.2	33.1	33.1	34.8	40.0	26.9	35.0
Arkansas	27.5	21.8	23.1	23.6	24.3	22.9	26.9	25.5
Louisiana	28.4	28.5	38.9	39.6	41.1	37.8	26.4	44.7

Alabama	26.4	26.4	24.4	25.0	32.2	29.0	24.5	34.3
Georgia	36.6	34.5	30.8	26.1	23.1	24.6	24.2	17.7
Kentucky	12.1	12.8	11.6	14.7	18.4	18.8	24.2	25.1
Oklahoma	21.4	20.0	19.5	18.8	20.3	19.2	16.9	21.6
Texas	25.8	24.5	23.8	24.0	5.7	12.2	16.0	20.8
Florida	20.0	16.9	15.7	14.9	15.6	12.7	10.9	11.7
Tennessee	9.1	8.6	8.2	9.5	9.4	9.3	9.8	9.7
Virginia	20.2	19.3	15.4	14.0	14.3	7.8	9.2	8.9
District of Columbia	16.5	15.0	14.4	12.9	5.4	4.6	5.5	4.3
Maryland	3.1	2.1	1.4	0.8	0.5	0.6	0.8	0.9
Delaware	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
U.S. Total	17.3	16.0	13.1	12.7	12.2	9.6	10.1	9.2
State mean	20.3	17.9	16.6	15.2	14.3	12.8	11.6	13.4
Taxing-state mean	21.7	19.5	18.0	16.9	15.8	15.2	14.1	16.3

Source: U.S. Bureau of the Census, Census of Governments, Vol. 2 Taxable Property Values, No. 1 Assessed Valuations for Local General Property Taxation, various years.

Table 6. Legal Status of Major Types of Personal Property for Local General Property Taxation, by State: 1991

State	**Business Inventories**	**Other Commercial and Industrial**	**Agricultural**	**Household Personal Property**	**Motor Vehicles**
Alabama	**E**	**P T**	**P T**	**I T**	**P T**
Alaska	**L**	**L**	**L**	**P L**	**L**

Arizona	**E**	**P T**	**T**	**I T**	**E**
Arkansas	**T**	**T**	**T**	**T**	**T**
California	**E**	**P T**	**P T**	**I T**	**E**
Colorado	**E**	**T**	**P T**	**I T**	**P T**
Connecticut	**E**	**P T**	**P T**	**E**	**T**
Delaware	**E**	**E**	**E**	**E**	**E**
District of Columbia	**E**	**P T**	**E**	**E**	**E**
Florida	**E**	**P T**	**P T**	**E**	**E**
Georgia	**T**	**T**	**P T**	**E**	**T**
Hawaii	**E**	**E**	**E**	**E**	**E**
Idaho	**E**	**P T**	**P T**	**I T**	**E**
Illinois	**E**	**E**	**E**	**E**	**E**
Indiana	**T**	**T**	**T**	**I T**	**E**
Iowa	**E**	**E**	**E**	**E**	**E**
Kansas	**T**	**T**	**P T**	**I T**	**S**
Kentucky	**T**	**T**	**P T**	**E**	**T**
Louisiana	**T**	**T**	**E**	**E**	**E**
Maine	**E**	**T**	**P T**	**E**	**E**
Maryland	**L**	**L**	**L**	**E**	**E**
Massachusetts	**P T**	**P T**	**T**	**E**	**E**
Michigan	**E**	**T**	**E**	**I T**	**E**
Minnesota	**E**	**T**	**E**	**E**	**E**

Mississippi	**P T**	**T**	**E**	**E**	**T**
Missouri	**E**	**T**	**T**	**E**	**P T**
Montana	**E**	**T**	**P T**	**E**	**T**
Nebraska	**E**	**T**	**T**	**E**	**T**
Nevada	**E**	**P T**	**T**	**E**	**E**
New Hampshire	**E**	**E**	**E**	**E**	**E**
New Jersey	**E**	**T**	**E**	**E**	**E**
New Mexico	**T**	**P T**	**P T**	**E**	**E**
New York	**E**	**E**	**E**	**E**	**E**
North Carolina	**E**	**T**	**P T**	**E**	**T**
North Dakota	**E**	**E**	**E**	**E**	**E**
Ohio	**P T**	**P T**	**E**	**E**	**E**
Oklahoma	**T**	**T**	**T**	**P T**	**E**
Oregon	**E**	**P T**	**E**	**E**	**E**
Pennsylvania	**E**	**E**	**E**	**E**	**E**
Rhode Island	**T**	**T**	**P T**	**P T**	**T**
South Carolina	**E**	**P T**	**E**	**E**	**T**
South Dakota	**E**	**E**	**E**	**E**	**E**
Tennessee	**E**	**P T**	**P T**	**P T**	**T**
Texas	**T**	**T**	**P T**	**L**	**L**
Utah	**E**	**P T**	**P T**	**E**	**E**

Vermont	**L**	**P T**	**E**	**E**	**E**
Virginia	**T**	**T**	**L**	**L**	**T**
Washington	**E**	**T**	**T**	**E**	**E**
West Virginia	**T**	**T**	**T**	**T**	**T**
Wisconsin	**E**	**T**	**T**	**E**	**E**
Wyoming	**E**	**T**	**T**	**E**	**E**
Number of States with Full Exemption	**33**	**9**	**19**	**35**	**32**
Partial Exemption	**3**	**16**	**17**	**5**	**2**

Source: U.S. Department of Commerce, 1992 Census of Governments, Taxable Property Values, Assessed Valuations for Local General Property Taxation, Volume 2, Number 1.

T = locally taxable; I = taxable only if used in production of income; P = taxable but subject to partial exemptions either as to specified types or specified value levels; S = subject to special, rather than general, ad valorem taxation; E= exemption; L = local option to exempt.

Table 7 shows that the treatment of utilities for purposes of property taxation varies widely among the states. Some state include the personal property of utilities as part of the personal property tax base while other states include utilities as a separate classification of property as does Georgia. Still other states do not specifically address utilities in their property tax law.

Table 7. The Treatment of Public Utilities in the Personal Property Tax Base, 1996

State	**Utilities are not in Personal Property Tax Base**	**Utilities are in the Personal Property Tax Base**	**Personal Property of Utilities if Exempt**	**No specific mention of utilities in base or as a separate class of property**	**No Tax on Personal Property**

Alabama	X				
Alaska				X	
Arizona	X				
Arkansas				X	
California				X	
Colorado	X				
Connecticut				X	
Delaware					X
District of Columbia		X[1]			
Florida				X	
Georgia	X				
Hawaii					X
Idaho	X				
Illinois					X
Indiana		X			
Iowa					X
Kansas		X			
Kentucky	X				
Louisiana	X				
Maryland		X			
Massachusetts	X				
Minnesota			X		

Mississippi				X	
Missouri	X				
Montana	X				
Nebraska	X				
Nevada				X[2]	
New Hampshire					X
New Jersey	X[3]				
New Mexico				X	
New York					X
North Carolina	X				
North Dakota				X	
Ohio				X	
Oklahoma	X				
Oregon		X			
Pennsylvania					X
Rhode Island				X	
South Carolina	X				
South Dakota					X
Tennessee		X			

Texas				X	
Utah	X				
Vermont	X				
Virginia				X	
Washington				X	
West Virginia	X				
Wisconsin		X			
Wyoming	X				

Source: ABA Property Tax Deskbook, 1996-97 edition, William Prugh, Editor in Chief, American Bar Association Section of Taxation

[1] Personal property of utilities is exempt if subject of gross receipts tax , otherwise it is part of the personal property tax base.

[2] Locomotives, cars, rolling stock and other personal property of railroads used in operation are part of the personal property tax base. No mention of other utilities.

[3] Telecommunications equipment is part of the personal property tax base. Other public utility equipment is not.

V. Concerns of Businesses and Tax Administrators

The major concerns of business groups in the state are the inconsistency of personal property assessment across counties, the inconsistent treatment of the same types of property within the same county, and the rate of depreciation for machinery and equipment used in industries where technology is rapidly advancing. Some of the concerns of tax administrators are implementing changes in personal property tax that result from court decisions, the assessment of items such as older boats, older farm equipment, and the assessment of idle equipment.

VI. Reforms

A. Eliminate the Personal Property Tax

Eliminating the tax on personal property would have a substantial impact on property tax revenues. In 1996 the personal property tax represented about 13.7 percent of total general property taxable value. Personal property is a larger proportion of assessed property value than motor vehicles and mobile homes, which together accounted for 10.3 percent. If the tax on motor vehicles and mobile homes are also eliminated, the total general property taxable value would decrease by 24 percent. As Table 2 shows, personal property is a substantial portion of the total assessed value of all property in some counties. The assessed value of personal property is over 20 percent of total net assessed property value for 30 counties while it exceeds ten percent in 104 counties. Since counties apply the same millage rate to both real and personal property, total property tax revenues derived from personal property equals the share of personal property in the tax base for each county. [3] Careful consideration should be given to methods of replacing this revenue if the personal property tax was eliminated.

B. Expand the List of Exemptions

Relative to other states, Georgia exempts few of the major types of personal property (Table 5). Thus, consideration could be given to expanding the list of personal property tax exemptions. Table 8 shows some of the specific types of property that other states exempt. Exemption of inventories is the most common exemption among the states. The exemption of inventories may increase the number of startups and would help small businesses. From an economic development perspective, eliminating the personal property tax on inventory or on manufacturing machinery and equipment would make sense as these exemptions may encourage businesses to locate or expand in the state. Additional research is necessary to determine the revenue implications of exempting various classes of machinery and equipment.

Table 8. Personal Property Tax Exemptions in Other States

Exemptions (not offered in GA)	**Other states that offer these exemption include:**
Livestock and Poultry, Colonies of Bees	Colorado, Idaho, Nevada, South Carolina, Utah, Vermont, Wyoming
Livestock and Poultry Feed	Arizona, North Carolina, Wisconsin
Timber Harvesting Machinery and Equipment	Massachusetts, Mississippi, Wisconsin
Farm Machinery and Equipment	Alabama, Colorado, Kansas, Louisiana, Oregon, South Carolina, Utah
Manufacturing Machinery and Equipment	Connecticut, Maryland, Rhode Island
Special Tools Used in Manufacturing designed for production of a particular product which would have no value if production were discontinued (such as dies, jigs, fixtures, gauges)*	Massachusetts, Michigan
Inventory of Manufacturers, Wholesalers, Distributors, Retailers	Alabama, Arizona, Colorado, Idaho, Kansas, Massachusetts, Missouri, Nebraska, Nevada, North Carolina, Oregon, Rhode Island, South

	Carolina, Utah, Washington, Wyoming
Construction and Hand Tools	Kansas,
Mechanic's Tools	Kansas, Vermont
Boats**	Louisiana, Massachusetts, Mississippi, Nevada
Aircraft**	Kansas, Mississippi, New Mexico, Oregon, Wisconsin

Source: ABA Property Tax Deskbook, 1996-97 edition, William Prugh, Editor in Chief, American Bar Association Section of Taxation

* For example, a die used to make an automobile fender that is subject to change when new automobile models are introduced is a special tool. Whereas a die used to make a common wrench that is not expected to change is not a special tool.

** Aircraft and boats that are not taxed under the personal property tax system are subject to licensing fees in most states.

Interviews with county tax officials identified older property, especially farm implements and attachments, boats, heavy construction and manufacturing equipment used in nontransferable production processes as being particularly hard to assess. Many states exempt these types of property. In addition, assessing leasehold improvements appears to be a problem in those counties with a high proportion of retail establishments. In particular, it is often difficult for assessors to distinguish between real and personal property for lease holders. Thus, consideration should be given to the treatment of these properties.

Many states have exemptions for tools regardless of the dollar value. Massachusetts and Michigan exempt special manufacturing tools, *i.e.*,tools designed for the production of a particular product so that if production of the product were discontinued the tools would have no value. While such an exemption would impose additional administrative costs on county officials who must classify tools as "special" or not, the exemption would address the concerns of businesses that use tools and machinery that has little value outside of the firm-specific production process.

C. Increasing the Minimum Value of Exemptions

Current Georgia law has two personal property exemptions based on value: (1) an exemption for domestic animals and tools of trade valued at less than $300 (established in 1978) and (2) an exemption for personal property accounts worth less that $500 in total (established in 1986). Increasing the minimum value of the exemptions for tools and total value of personal property will decrease the administrative and compliance cost of the personal property tax system. The current exemptions do not adequately reflect current market values of many types of property. According to county tax administrators, small businesses such as plumbers, carpenters, mechanics, etc. who own more than $300 worth of tools and should legally pay taxes on them often "fall through the cracks" and are not taxed. Increasing the minimum value of this exemption would remove these small businesses from the tax base.

Small accounts generate a very small portion of taxable value and tax revenue in Georgia counties. As Tables 8A, 8B and 8C show, personal property tax accounts with a FMV of $15,000 or less generate less than one percent of total personal property tax revenues for Gwinnett County, 2.8 percent for Bibb County and 1.4 percent for Laurens County. In contrast, large accounts generate a substantial portion of personal property tax revenues. Accounts valued at greater than $500,000 generate 85 percent, 74 percent, and 86 percent of personal property tax revenues for Gwinnett, Bibb, and Laurens counties, respectively. These large account represent 5 percent, 1.6 percent, and 2 percent of the total number of personal property tax accounts for Gwinnett, Bibb, and Laurens Counties, respectively. Tax administrators from other counties agreed that a small number of accounts (typically large industrial establishments) generate a substantial portion of personal property tax revenues in their counties. Raising the exemption from $300 and $500 dollars to $5000, $10,000 or even $15,000 would have a small impact on tax revenues.

Table 8A. Distribution of Accounts and Tax Revenues by FMV, Gwinnett County, 1997

Fair Market Value	**# Accounts**	**Taxable Value**	**Tax**	**% of Total Tax Revenues**
< $500	4454	$1,115,025	$0	0.00%
$500 - 1000	1847	$1,372,508	$18,913	0.02%
$1001-2500	3416	$5,996,419	$82,631	0.10%
$2501-5000	3859	$13,922,085	$191,846	0.22%
$5001-10000	3415	$22,451,559	$309,382	0.36%
$10001-15000	1242	$18,359,689	$252,997	0.30%
$15001-25000	1602	$33,374,795	$459,905	0.54%
$25001-50000	2156	$78,823,793	$1,086,192	1.27%
$50001-100000	1895	$135,716,431	$1,870,172	2.18%
$10001-250000	1854	$293,634,828	$4,046,288	4.72%
$250001-	922	$326,963,42	$4,505,55	5.26%

500000		4	6	
> $500000	1501	$5,286,258,038	$72,844,636	85.03%
TOTAL	28163	$6,217,988,594	$85,668,518	100.00%

Table 8B. Distribution of Accounts and Tax Revenues by FMV, Bibb County, 1997

Fair Market Value	**# Accounts**	**Taxable Value**	**Tax**	**% of Total Tax Revenue**
< $500	3074	$258,198	$0	0.00%
$500 - 1000	1615	$464,958	$17,061	0.15%
$1001-2500	2009	$1,336,164	$49,089	0.43%
$2501-5000	1176	$1,685,421	$63,386	0.56%
$5001-10000	906	$2,586,071	$99,625	0.88%
$10001-15000	479	$2,341,538	$90,823	0.80%
$15001-25000	635	$4,957,096	$190,954	1.69%
$25001-50000	679	$9,665,689	$375,499	3.31%
$50001-100000	510	$14,391,783	$549,755	4.85%
$10001-250000	362	$22,607,328	$853,983	7.54%
$250001-500000	134	$17,719,843	$663,360	5.86%
> $500000	194	$234,791,737	$8,375,562	73.93%
TOTAL	11773	$312,805,825	$11,329,098	100.00%

Source: Bibb County Board of Assessors

Table 8C. Distribution of Accounts and Tax Revenues by FMV, Laurens County, 1997

Fair Market Value	# Accounts	Taxable Value	Tax	% of Total Tax Revenue
< $500	23	$3,413	$0	0.00%
$500 - 1000	271	$216,712	$1,810	0.03%
$1001 - 2500	632	$1,095,496	$9,150	0.17%
$2501 - 5000	585	$2,132,243	$17,808	0.34%
$5001 - 10000	449	$3,188,685	$26,632	0.51%
$10001 - 15000	201	$2,402,608	$20,067	0.38%
$15001 - 25000	217	$4,211,080	$35,171	0.67%
$25001 - 50000	247	$8,915,908	$74,466	1.41%
$50001 - 100000	208	$14,819,635	$123,774	2.35%
$100001 - 250000	176	$28,587,471	$238,763	4.53%
$250001 - 500000	72	$25,214,798	$210,594	4.00%
> $500000	66	$539,859,951	$4,508,910	85.60%
TOTAL	3147	$630,648,000	$5,267,144	100.00%

Source: Laurens County Board of Assessors.

Another argument for increasing the dollar amount of exemption levels is that the cost of administering the personal property tax for small accounts is higher than the amount of tax collected. For example, the cost of producing a personal property tax bill in Gwinnett County in 1997 is reported to have been approximately $125. [4] Since the millage rate in the county is 34.55, assessed (taxable) value of property must be at least $3618 to cover the cost of administering the tax, and thus the FMV of the property would have to be at least $9000. Assuming that the cost of producing a tax bill are similar for Bibb County and using the millage rate of 31.7, the taxable value of a personal property tax account must be at least $3943 (FMV of a least $9857) to cover the cost of administering the tax. Any property tax account with a total FMV of less than $9000 in Gwinnett County or $9800 in Bibb County (or tax collection less than $125) costs more to administer than is collected in property tax. A similar argument can be made for other counties.

Raising the exemption to exclude these small accounts would decrease administrative costs.

According to tax administrators, raising the exemption level would eliminate the tax on owners of small boats. As mentioned above, boats are particularly hard to assess and hard to track when ownership changes. Increasing the dollar value of the exemption will remove this problem.

The current exemption is not a deduction, i.e., currently if an account has a FMV of $501, the tax is levied on the full $501. In Gwinnett County, for example, the tax would be $6.92. An account with a FMV of $500 would pay no tax. Thus, the one additional dollar in value costs $6.92 in taxes. While not of great importance when the exemption level is $500 is would become more important if the exemption level were, say, $15,000. Thus, it is recommended that if the exemption level is increased, it also be changed to a deduction. As a deduction, the first $15,000 in value would not be taxed.

Currently, the exemption is allowed for each personal property tax account. If the exemption level were very high, businesses would have an incentive to establish separate accounts to take multiple exemptions. In most counties the benefit of doing so would be less than $200 in personal property tax savings for an exemption level of $15,000. The Georgia Constitution requires all property to be taxed unless explicitly exempt. The current exemptions are de minimus amounts intended to offset the cost of collection. Increasing the exemption or converting it to a deduction has to be considered in light of the uniformity requirements of the Constitution.

D. Change the Current Depreciation Schedule

Another option is to replace the current depreciation schedule for personal property in Georgia with the federal income tax depreciation schedule. This option has advantages and disadvantages.

An advantage of the change is that firms already use the federal depreciation schedules when calculating their federal income tax, so firms and tax advisors are familiar with the federal schedules. Using the federal depreciation schedules would reduce compliance costs since firms would only have to calculate depreciation of assets based on one set of schedules as opposed to using both the federal and state schedules.

Another advantage is that using the federal depreciation schedules could improve the auditing process and decrease auditing costs. Through exchange of information with the federal government, the results of audits at the federal level could be shared with state officials and vice versa.

A disadvantage of adopting the federal depreciation schedules is that the General Assembly must pass legislation legalizing the use of the federal schedule. Each time the federal government changes the depreciation schedule, the state will have to pass new legislation to adopt the new schedule. (The same procedure exists with the income tax because the state links the state income tax with the federal income tax.) In addition, the state will be subject to whatever changes the federal government makes or fails to make in the depreciation schedule. For example, in 1982 the federal government adopted highly accelerated depreciation schedules. Georgia decided not to adopt these changes for state income tax purposes.

There are two main factors, beyond simplification of the depreciation process, to contemplate when considering a change to the federal depreciation schedule: the uniformity provision of the Georgia Constitution and the implications for revenue. There are three major differences between the federal depreciation schedules and the Georgia recommended schedule: [5] (1) the federal schedules depreciate most assets at a faster rate than the Georgia schedule; (2) the Georgia depreciation schedule includes an index factor which allows the value of an asset to appreciate due to inflation while the federal depreciation schedules do not; (3) when the class life of an asset is passed, the asset no longer has value and therefore incurs no tax liability under the federal depreciation schedules while the Georgia schedule continues to tax a portion of the original value of the assets as long as the asset is in use.

The uniformity provision of the Georgia Constitution requires that real and tangible personal property be taxed alike. Both types of property are assessed at fair market value. Different depreciation schedules provide widely divergent values for fair market value of personal property. Since the federal depreciation schedule returns lower values, in many cases, than the current Georgia depreciation schedule, use of the federal schedule may increase the divergence between the fair market value of real and personal property and provide fertile ground for legal cases. If the federal depreciation schedule is adopted, careful attention will have to be given to potential legal implications.

One complication is that the federal depreciation schedules consist of two methods of depreciation - General Depreciation System (GDS) and Alternative Depreciation System (ADS) -- with various schedules for different types of property. One method might yield a lower tax liability than the other. The choice of depreciation system affects the uniformity of taxation. Taxpayers with the same personal property may have different tax liabilities depending on which depreciation system is used. This affects the uniform treatment of personal property both within the same county and between counties.

Table 9 shows how taxable value differs when applying the federal depreciation schedule and the depreciation schedule recommended for use in Georgia. Note that regardless of asset age or service life, the taxable value using the federal depreciation schedule is almost always lower. While the current Georgia depreciation schedule may not yield a taxable value of property equal to FMV, it may be a closer approximation than the taxable value generated through the federal schedule for some goods while for other goods it may not be. For businesses which argue that under the current Georgia depreciation schedule equipment becomes outdated well before its scheduled depreciation life, the federal depreciation schedule may be ideal. For other, long-lived equipment, the federal depreciation schedule is not adequate. In addition to the depreciation rate, the current depreciation schedule used in Georgia includes an index factor which allows for appreciation in the value of property due to inflation while the federal depreciation schedule does not. Again, this index factor may be more appropriate for some types of property than for others.

Table 9. Federal and Georgia Depreciation for Nonfarm, Noncomputer Assets, 1998 Tax Return

Date in Service	Class Life (Year	Cost	Georgia Depreciation Factor	Federal Depreciation Factor	Georgia Taxable	Federal Taxable	Cost Difference	Percent Difference

	s)				Value	Value		
1980	3	$1,000	0.30	0.00	300	0	300	-100.0
	5	$1,000	0.30	0.00	300	0	300	-100.0
	7	$1,000	0.30	0.00	300	0	300	-100.0
	10	$1,000	0.30	0.00	300	0	300	-100.0
	15	$1,000	0.30	0.00	300	0	300	-100.0
	20	$1,000	0.30	0.09	300	95	205	-68.4
1985	3	$1,000	0.30	0.00	300	0	300	-100.0
	5	$1,000	0.30	0.00	300	0	300	-100.0
	7	$1,000	0.30	0.00	300	0	300	-100.0
	10	$1,000	0.30	0.00	300	0	300	-100.0
	15	$1,000	0.30	0.13	300	126	175	-58.2
	20	$1,000	0.30	0.32	300	318	-18	5.9
1990	3	$1,000	0.30	0.00	300	0	300	-100.0
	5	$1,000	0.30	0.00	300	0	300	-100.0
	7	$1,000	0.30	0.00	300	11	289	-96.4
	10	$1,000	0.30	0.14	300	139	161	-53.6
	15	$1,000	0.56	0.42	560	421	139	-24.9
	20	$1,000	0.56	0.54	560	541	19	-3.4
1993	3	$1,000	0.30	0.00	300	0	300	-100.0

	5	$1,000	0.30	0.01	300	14	286	-95.4
	7	$1,000	0.30	0.19	300	186	114	-38.1
	10	$1,000	0.56	0.34	560	338	222	-39.7
	15	$1,000	0.75	0.60	750	599	151	-20.2
	20	$1,000	0.75	0.68	750	684	66	-8.8
1995	3	$1,000	0.43	0.02	430	15	415	-96.4
	5	$1,000	0.43	0.23	430	234	196	-45.6
	7	$1,000	0.43	0.38	430	383	47	-11.0
	10	$1,000	0.75	0.53	750	528	222	-29.6
	15	$1,000	0.86	0.74	860	739	121	-14.1
	20	$1,000	0.86	0.80	860	800	60	-7.0
1997	3	$1,000	0.82	0.42	820	417	403	-49.2
	5	$1,000	0.82	0.65	820	650	170	-20.7
	7	$1,000	0.82	0.75	820	750	70	-8.5
	10	$1,000	0.92	0.83	920	825	95	-10.3
	15	$1,000	0.95	0.91	950	913	38	-3.9
	20	$1,000	0.95	0.93	950	934	16	-1.6

Source: Authors's calculations using the recommended depreciation schedule for Georgia and the federal General Depreciation Schedule.

Regardless of which depreciation schedules generate a taxable value closest to FMV, use of the federal schedules would greatly reduce taxable value for most assets and therefore tax revenues from the personal property tax. Tables 10A, 10B, 10C, 11A, 11B and 11C show the effect on personal property tax revenues of using the federal depreciation schedules rather than the Georgia recommended depreciation schedule. The data used for this analysis are large and small firms with different classes of personal property randomly selected from the property tax digests of Gwinnett, Bibb, and Laurens counties.[6] The difference in assessed value and tax revenue is substantial. For the sample of large firms, there is an average decrease in personal property tax revenues of 36 percent, 63 percent and 83 percent, respectively, for Gwinnett, Bibb, and Laurens counties. For the small-firm sample the average decrease is also substantial (43 percent, 58 percent, and 69 percent, respectively). If the use of federal depreciation schedules is adopted, careful consideration should be given to methods of replacing revenue lost due to the zero residual value of property in use after its class life is over.

As the charts in the Appendix show, a large portion of the difference in value and tax revenue for the current Georgia depreciation schedule and the federal schedule is due to the federal depreciation schedules' zero tax rate on assets which have completed their class life but are still in use. The differences in value and tax revenue between the three counties can be explained in part by the age of the property. The personal property of the Bibb and Laurens County samples is older on average than that of the Gwinnett County sample for many of the firms, so the value is zero for much of the property under the federal depreciation schedule.

Table 10A. Georgia vs. Federal Depreciation Schedules, Gwinnett County Sample of 22 Large Firms, 1997

Assessed Value GA Depreciation Schedule	**Assessed Value Federal Depreciation Schedule**	**GA Tax**	**Federal Tax**	**Percent Difference**	**Percent Difference**
$86,821	$26,173	$1,196	$361	$835	69.8%
$370,006	$293,057	$5,099	$4,038	$1,061	20.8%
$382,193	$235,050	$5,267	$3,239	$2,028	38.5%
$465,746	$126,893	$6,418	$1,749	$4,669	72.7%
$704,621	$449,886	$9,710	$6,199	$3,511	36.2%
$726,262	$221,688	$10,008	$3,055	$6,953	69.5%
$757,851	$198,335	$10,443	$2,733	$7,710	73.8%
$831,442	$386,859	$11,457	$5,331	$6,126	53.5%
$1,451,991	$846,233	$20,008	$11,661	$8,347	41.7%
$1,801,611	$919,365	$24,826	$12,669	$12,157	49.0%
$2,023,376	$330,689	$27,882	$4,557	$23,325	83.7%

$2,041,975	$867,840	$28,138	$11,959	$16,179	57.5%
$2,577,734	$1,124,778	$35,521	$15,499	$20,022	56.4%
$2,658,996	$1,284,980	$36,641	$17,707	$18,934	51.7%
$3,192,539	$2,425,491	$43,993	$33,423	$10,570	24.0%
$4,090,632	$482,939	$56,369	$6,655	$49,714	88.2%
$4,826,689	$2,348,822	$66,512	$32,367	$34,145	51.3%
$5,524,895	$2,906,792	$76,133	$40,056	$36,077	47.4%
$7,991,299	$3,430,995	$110,120	$47,279	$62,841	57.1%
$9,211,474	$3,004,811	$126,934	$41,406	$85,528	67.4%
$15,365,627	$9,962,823	$211,738	$137,288	$74,450	35.2%
$104,836,190	$76,693,493	$1,444,643	$1,056,836	$387,807	26.8%
$171,919,970	$108,567,992	$2,369,056	**$1,496,067**	$872,989	36.8

Source: Gwinnett County, Department of Financial Services, Assessors Office.

Table 10B. Georgia vs Federal Depreciation Schedules, Bibb County Sample of 23 Large Firms, 1997

Assessed Value GA Depreciation Schedule	**Assessed Value Federal Depreciation Schedule**	**GA Tax**	**Federal Tax**	**Cost Difference**	**Percent Difference**
$110,103	$61,666	$1,396	$782	$614	44.0%
$115,375	$65,016	$1,463	$824	$639	43.6%
$129,588	$80,123	$1,643	$1,016	$627	38.2%
$203,742	$188,473	$2,583	$2,390	$194	7.5%
$214,508	$186,305	$2,720	$2,362	$358	13.1%

$234,155	$211,614	$2,969	$2,683	$286	9.6%
$259,090	$90,133	$3,285	$1,143	$2,142	65.2%
$451,947	$153,043	$5,731	$1,941	$3,790	66.1%
$463,624	$168,148	$5,879	$2,132	$3,747	63.7%
$554,205	$214,816	$7,027	$2,724	$4,303	61.2%
$784,883	$572,708	$9,952	$7,262	$2,690	27.0%
$866,581	$217,829	$10,988	$2,762	$8,226	74.9%
$967,604	$904,653	$12,269	$11,471	$798	6.5%
$1,076,602	$244,624	$13,651	$3,102	$10,549	77.3%
$1,306,119	$861,705	$16,562	$10,926	$5,635	34.0%
$1,360,061	$613,160	$17,246	$7,775	$9,471	54.9%
$1,554,044	$1,370,909	$19,705	$17,383	$2,322	11.8%
$1,557,600	$529,909	$19,750	$6,719	$13,031	66.0%
$3,591,531	$1,367,464	$45,541	$17,339	$28,201	61.9%
$3,837,851	$1,489,332	$48,664	$18,885	$29,779	61.2%
$5,313,380	$2,311,352	$67,374	$29,308	$38,066	56.5%
$16,544,822	$3,183,540	$209,788	$40,367	$169,421	80.8%
$21,536,269	$7,886,638	$273,080	$100,003	$173,077	63.4%
$63,033,684	$22,973,160	$799,267	$291,300	$507,967	63.6%

Source: Bibb County Board of Assessors Office

Table 10C. Georgia vs Federal Depreciation Schedules, Laurens County, Sample of 16 Large Firms, 1997

Assessed	**Assessed**	**GA Tax**	**Federal**	**Cost**	**Percent**

Value GA Depreciation Schedule	Value Federal Depreciation Schedule		Tax	Difference	Difference
$87,428	$43,176	$730	$361	$370	50.6%
$95,990	$40,447	$802	$338	$464	57.9%
$105,296	$34,376	$879	$287	$592	67.4%
$173,983	$39,344	$1,453	$329	$1,125	77.4%
$544,077	$108,531	$4,544	$906	$3,638	80.1%
$700,469	$996,301	$5,850	$8,321	-$2,471	-42.2%
$746,937	$204,438	$6,238	$1,707	$4,531	72.6%
$1,589,141	$991,001	$13,273	$8,277	$4,996	37.6%
$2,439,819	$876,467	$20,377	$7,320	$13,057	64.1%
$2,658,604	$1,964,791	$22,205	$16,410	$5,795	26.1%
$4,231,430	$1,443,546	$35,341	$12,056	$23,284	65.9%
$4,830,976	$2,041,885	$40,348	$17,054	$23,294	57.7%
$13,605,669	$4,772,538	$113,635	$39,860	$73,774	64.9%
$19,164,205	$9,549,030	$160,059	$79,753	$80,306	50.2%
$35,004,054	$8,140,322	$292,354	$67,988	$224,366	76.7%
$38,795,181	$6,553,278	$324,017	$54,733	$269,284	83.1%

Source: Laurens County Board of Assessors

Table 11A. Georgia vs Federal Depreciation Schedules, Gwinnett County Sample of 20 Small Firms, 1997

Assessed Value **GA Depreciation ScheduleGA TaxFederal Tax**	**Cost** **Difference**	**Percent** **Difference**			
$4,178	**$2,386**	**$58**	**$33**	**$25**	**43.1%**
$4,684	$632	$65	$9	$56	86.2%
$10,889	$7,637	$150	$105	$45	30.0%
$16,313	$8,309	$225	$114	$111	49.3%
$19,966	$12,704	$275	$175	$100	36.4%
$20,530	$3,648	$283	$50	$233	82.3%
$25,341	$12,256	$349	$169	$180	51.6%
$50,310	$14,148	$693	$195	$498	71.9%
$50,450	$14,941	$695	$206	$489	70.4%
$53,985	$30,782	$744	$424	$320	43.0%
$57,920	$28,116	$798	$387	$411	51.5%
$63,664	$48,086	$877	$663	$214	24.4%
$65,300	$61,099	$900	$842	$58	6.4%
$66,434	$24,870	$915	$343	$572	62.5%
$66,554	$33,245	$917	$458	$459	50.1%
$68,719	$68,719	$947	$947	$0	0.0%
$71,327	$25,387	$983	$350	$633	64.4%
$79,775	$37,277	$1,099	$514	$585	53.2%
$81,954	$32,088	$1,129	$442	$687	60.9%

$83,141	$78,909	$1,146	$1,087	$59	5.1%
$961,434	$545,239	$13,248	$7,513	$5,735	43.3%

Source: Gwinnett County, Department of Financial Services, Assessors Office.

Table 11B. Georgia vs Federal Depreciation Schedules, Bibb County Sample of 32 Small Firms, 1997

Assessed Value GA Depreciation Schedule	**Assessed Value Federal Depreciation Schedule**	**GA Tax**	**Federal Tax**	**Cost Difference**	**Percent Difference**
$1,382	$380	$18	$5	$13	72.5%
$1,702	$527	$22	$7	$15	69.0%
$2,162	$1,354	$27	$17	$10	37.4%
$2,244	$1,049	$28	$13	$15	53.3%
$2,358	$1,329	$30	$17	$13	43.6%
$3,648	$391	$46	$5	$41	89.3%
$4,576	$968	$58	$12	$46	78.8%
$5,095	$2,971	$65	$38	$27	41.7%
$5,322	$3,832	$67	$49	$19	28.0%
$5,797	$1,415	$74	$18	$56	75.6%
$7,666	$3,541	$97	$45	$52	53.8%
$7,723	$5,350	$98	$68	$30	30.7%
$8,100	$7,643	$103	$97	$6	5.6%
$8,371	$7,798	$106	$99	$7	6.8%

$9,361	$3,866	$119	$49	$70	58.7%
$11,466	$4,707	$145	$60	$86	58.9%
$14,094	$10,395	$179	$132	$47	26.2%
$14,341	$11,761	$182	$149	$33	18.0%
$15,000	$0	$190	$0	$190	100.0%
$15,473	$6,082	$196	$77	$119	60.7%
$17,208	$4,289	$218	$54	$164	75.1%
$18,457	$2,877	$234	$36	$198	84.4%
$19,335	$8,194	$245	$104	$141	57.6%
$19,514	$11,378	$247	$144	$103	41.7%
$19,526	$5,031	$248	$64	$184	74.2%
$19,658	$5,959	$249	$76	$174	69.7%
$19,820	$12,357	$251	$157	$95	37.7%
$34,941	$16,691	$443	$212	$231	52.2%
$41,293	$16,643	$524	$211	$313	59.7%
$45,801	$20,438	$581	$259	$322	55.4%
$51,863	$17,596	$658	$223	$435	66.1%
$56,600	$15,484	$718	$196	$521	72.6%
$509,897	$212,296	$6,465	$2,692	$3,774	58.4%

Source: Bibb County Board of Assessors

Table 11C. Georgia vs Federal Depreciation Schedules, Laurens County Sample of 24 Small Firms, 1997

Assessed Value	Assessed Value Federal	GA Tax	Federal Tax	$ Difference	% Difference

GA Depreciation Schedule	**Depreciation Schedule**				
$576	$0	$5	$0	$5	100.0%
$625	$0	$5	$0	$5	100.0%
$982	$0	$8	$0	$8	100.0%
$3,136	$0	$26	$0	$26	100.0%
$3,266	$1,456	$27	$12	$15	55.4%
$9,760	$12,565	$82	$105	-$23	-28.7%
$11,761	$4,874	$98	$41	$58	58.6%
$13,441	$9,042	$112	$76	$37	32.7%
$17,976	$25	$150	$0	$150	99.9%
$20,271	$17,003	$169	$142	$27	16.1%
$22,678	$8,734	$189	$73	$116	61.5%
$23,726	$7,872	$198	$66	$132	66.8%
$24,527	$14,522	$205	$121	$84	40.8%
$27,622	$21,782	$231	$182	$49	21.1%
$33,647	$12,257	$281	$102	$179	63.6%
$33,842	$1,423	$283	$12	$271	95.8%
$35,541	$4,932	$297	$41	$256	86.1%
$35,798	$4,948	$299	$41	$258	86.2%
$38,909	$11,757	$325	$98	$227	69.8%
$51,306	$11,892	$429	$99	$329	76.8%
$64,914	$23,309	$542	$195	$347	64.1%
$77,409	$0	$647	$0	$647	100.0%

$78,454	$24,956	$655	$208	$447	68.2%
$81,710	$30,053	$682	$251	$431	63.2%
$711,877	**$223,403**	**$5,946**	**$1,866**	**$4,080**	**68.6%**

Source: Laurens County Board of Assessors.

Consideration should be given to mandating that each county use the same depreciation schedule. As stated above, counties now may choose to use the Georgia recommended schedule or their own depreciation schedule. Using a different depreciation schedule greatly affects the FMV of property and therefore the uniformity of treatment across taxing jurisdictions. No information is available on how many counties (if any) do not use the Georgia recommended schedule.

Replacing the current depreciation schedule with the federal schedule is basically a tradeoff between simplifying the system and maintaining the current tax revenue from depreciable assets. Using the federal depreciation schedule would simplify the personal property tax system and potentially increase the returns to audits but would greatly decrease the taxable value of many depreciable assets and therefore the tax revenue (if current millage rates are maintained). In addition, the use of federal depreciation schedules raises several uniformity issues. Taxpayers owning the same personal property may pay different property taxes depending on which of the two federal depreciation systems they choose to use. The differential methods of calculating FMV for real and personal property may be incompatible with the uniformity provisions of the Georgia Constitution.

An alternative to adopting the federal depreciation schedules is to adopt the class lives used under the federal system but continue to use the current Georgia depreciation schedule for each property group. Under this approach, assets with a federal class life of 1 to 7 years would be a Group 1 property for the Georgia depreciation schedule. Assets with a federal class life of 8 to 12 years would be classified as a Group 2 property, and assets with a federal class life of 13 or more years would be classified as a Group 3 property. Computer equipment would remain Group 4 property. This approach would provide guidance to county officials on how to group assets. It would reduce compliance costs because assets would have the same class life under both the federal and state personal property tax system. Another advantage to this approach is that special tools and devices used in manufacturing have a shorter class life under the federal system than the current Georgia depreciation system which would address some of the complaints of business groups. A disadvantage is that the shortened class life for some manufacturing assets will have a negative (but much smaller) impact on personal property tax revenues.

E. Increase Returns to Auditing

There is a wide divergence in auditing practices between counties. Some counties audit a set number or proportion of their property tax accounts each year while other counties do no audits, basically accepting without question the information that businesses report on their property tax forms. This divergence in auditing practices decreases the uniformity of treatment of personal property across counties. Gwinnett County, for example, tries to do on-site audits for about 25 percent of its personal property accounts each year. An additional $1.9 million (3.5 percent of total personal property revenues) was collected due to audits in 1997. Fulton County has recently contracted with a private sector firm to improve audit rates. Bibb County has two auditors on staff and conducts about 300 audits of personal property tax accounts each year. Laurens County implemented a new auditing program in 1995. Laurens County has one auditor on staff who conducts 65 to 100 personal property audits annually. Since 1995 $52 million of nontaxed property was identified, increasing personal property tax revenues by approximately $434,000 in Laurens County. The great difference in audit rates across counties could cause businesses with locations in more that one county to have vastly different tax liabilities on similar types of personal property.

Businesses often feel that they are treated unfairly by tax officials while tax officials feel as if businesses purposefully misreport assets to decrease tax liability. Self reporting makes the personal property tax hard to administer. The ultimate purpose of audits is to increase compliance in the personal property tax system. In Georgia, the penalty for incorrectly reporting personal property tax is among the lowest in the Southeast. When a county audits a personal property tax account they audit the return for the current tax year and three prior years. If the account is found to be in default, the firm must pay back taxes and 10 percent of total taxes due (simple interest). North Carolina audits the current tax year and five prior years and charges a 10 percent per year cumulative penalty on taxes due for a maximum penalty of 60 percent if property has not been reported for 6 years. Tennessee charges a 10 percent penalty on taxes due, plus interest from the date the taxes were due. If a Georgia firm misreports tax liability for five years before it is audited, unpaid taxes in the first two years are uncollected since these years are not included in the audit. The low penalty for misreporting combined with the low audit rates in many counties may encourage firms to misreport personal property to lower their tax liability.

Requiring counties to perform audits, collecting data on the number and returns to audits in each county and increasing the penalty for misreporting property value would increase uniformity of the treatment of personal property across counties.

F. Procedural Manual

While Georgia law mandates that "an appropriate procedural manual for use by county property appraisal staff in appraising tangible real and personal property" (OCGA 48-5-269.1) should exist, the construction of such a manual has only recently been undertaken. Many of the administrative problems with the current personal property tax system could be addressed through a manual. Appraisal standards, auditing guidelines, the development of a measure of uniformity for personal property similar to sales-ratio analysis for real property, and the collection of basic statistics to evaluate personal property tax systems could easily be included in the manual. In addition, updates addressing changes in the property tax law due to court cases and how to implement these changes should be an addendum to the manual.

VII. Conclusion

A few changes in Georgia's current personal property tax law could ease administration and compliance costs and improve uniformity of assessment between counties. Increasing the minimum value of the domestic animal and tools of trade exemption (currently $300) and the total value exemption (currently $500) would remove small accounts that cost more to administer than the tax collected from the property tax rolls. Making this exemption into a deduction would make the system more equitable. Using the federal depreciation schedule would decrease compliance costs but would have a profound impact on revenues and uniformity unless millage rates are significantly increased. Also, this change could result in legal action due to differences in the tax treatment of real and personal property. Legislation mandating audits of personal property accounts and the development of a measure to gauge uniformity of personal property assessment across jurisdictions along with the adoption of a manual will increase uniformity across jurisdictions. Many of these proposed reforms would increase state control over the property tax system. Increased state control should improve uniformity both within and between taxing jurisdictions and provide more guidance on issues, such as the treatment of computers and leasehold improvements, that trouble local tax administrators.

APPENDIX

Georgia Recommended Depreciation Schedule

Depreciation Factors to be used with Group 1: Useful Life of 1-7 years

Year of Depreciation Acquisition	Depreciation	Percent Good		Index Factor		Factor
1997	.20	.80	×	1.019	=	.80
1996	.40	.60	×	1.034	=	.62
1995	.60	.40	×	1.072	=	.43
1994	.70	.30	×	1.102	=	.33
1993 & Older	.70	.30	×	---	=	.30

Depreciation Factors to be used with Group 2: Useful Life of 8-12 years

Year of Depreciation Acquisition	Depreciation	Percent Good		Index Factor		Fac
1997	.10	.90	×	1.019	=	.9
1996	.20	.80	×	1.034	=	.8

1995	.30	.70	×	1.072	=		.7
1994	.40	.60	×	1.102	=		.6
1993	.50	.50	×	1.123	=		.5
1992	.60	.40	×	1.137	=	.45	
1991	.70	.30	×	1.160	=	.35	
1990 & Older	.70	.30	×	---	=	.30	

Depreciation Factors to be used with Group 3: Useful Life of 13 or more

Year of Depreciation Acquisition	Depreciation	Percent Good		Index Factor		
1997	.07	.07	×	1.019	=	
1996	.13	.13	×	1.034	=	
1995	.20	.20	×	1.072	=	
1994	.27	.27	×	1.102	=	
1993	.13	.33	×	1.123	=	
1992	.40	.40	×	1.137	=	.68
1991	.47	.47	×	1.160	=	.61
1990	.53	.53	×	1.191	=	.56
1989	.60	.60	×	1.255	=	.50
1988	.67	.67	×	1.308	=	.43
1987	.70	.70	×	1.327	=	.40
1986 & Older	.70	.70	×	---	=	.30

Depreciation Factors to be used with Group 4: Computer Equipment

Year of Depreciation Acquisition	Depreciation	Percent Good		Index Factor	
1997	.20	.80	×	1.000	=
1996	.40	.60	×	1.000	=
1995	.60	.40	×	1.000	=
1994	.80	.20	×	1.000	=
1993 & Older	.85	.15	×	---	=

Note: The above index factors were developed using Marshall and Swift cost indexes, averages of all industry.

Comparison of the Georgia and Federal Depreciation Schedules

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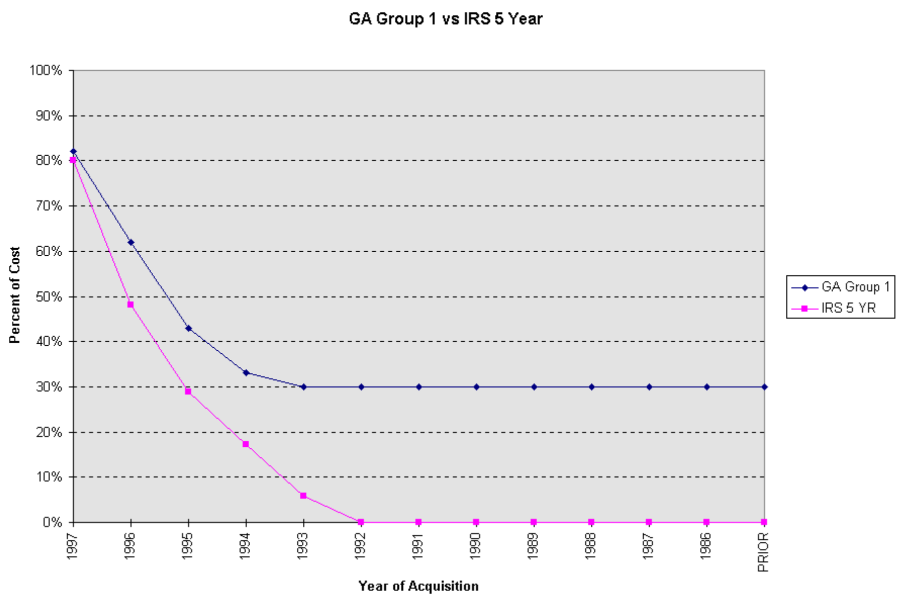
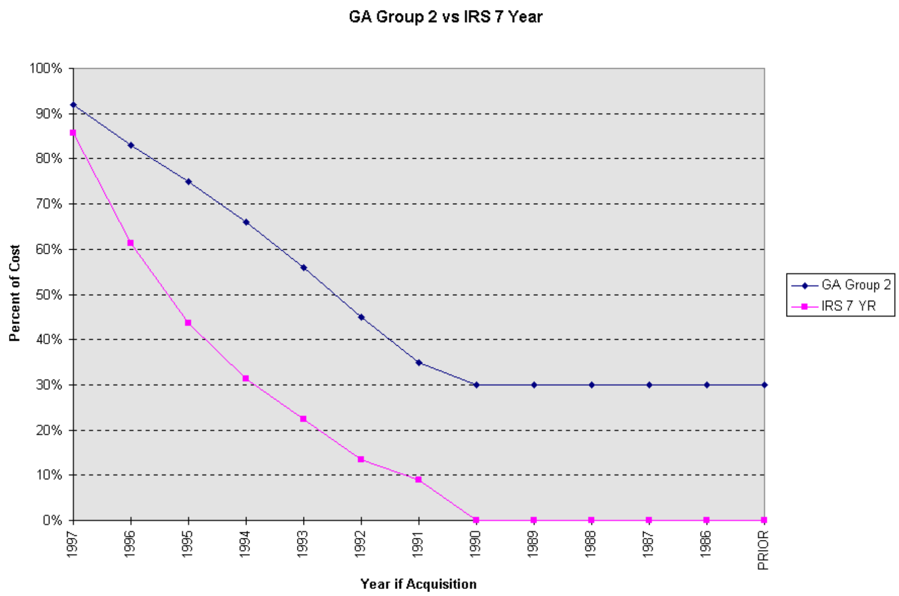
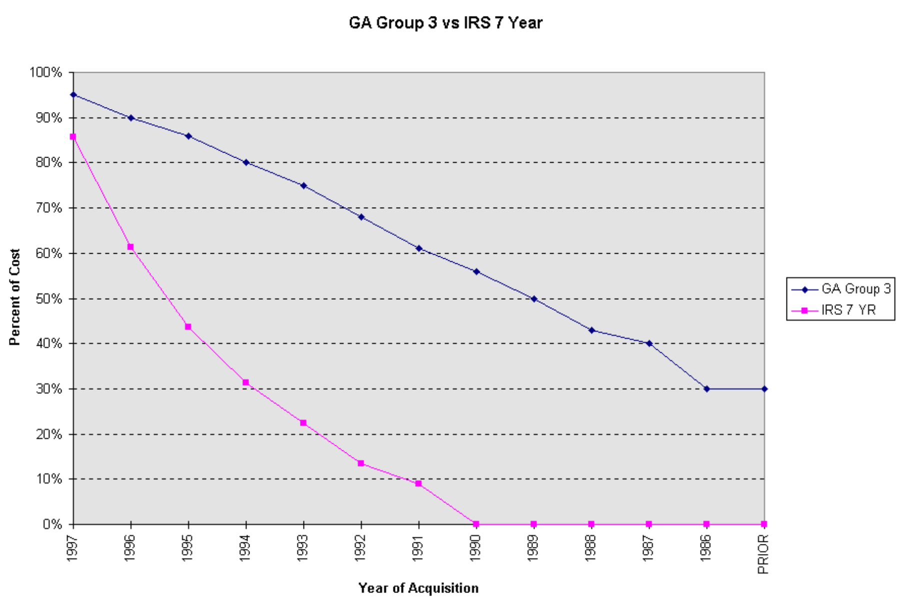
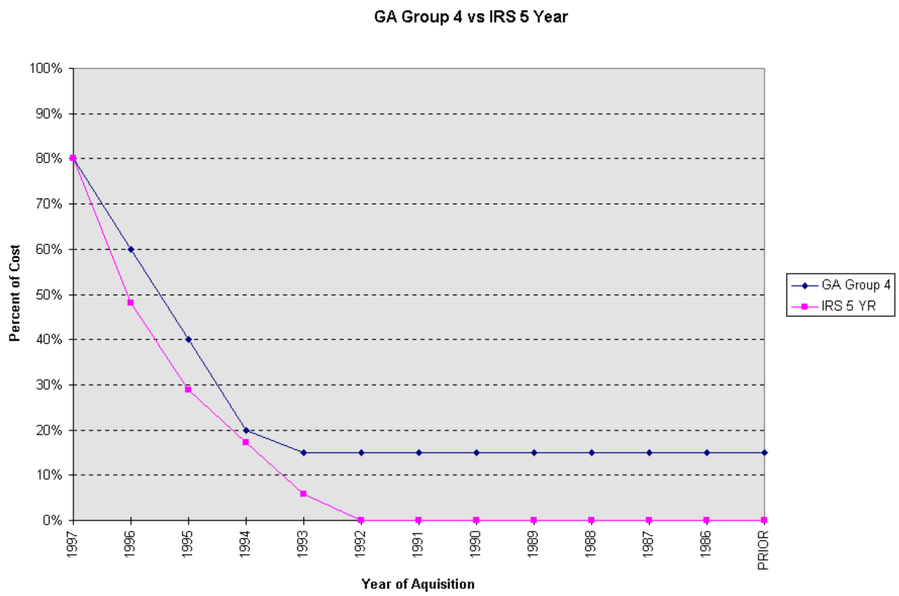



GA Group 2 vs IRS 7 Year
Percent of Cost
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1997
1996
1995
1994
1993
1992
1991
1990
1989
1988
1987
1986
PRIOR
Year if Acquisition
GA Group 2
IRS 7 YR


GA Group 3 vs IRS 7 Year
Percent of Cost
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1997
1996
1995
1994
1993
1992
1991
1990
1989
1988
1987
1986
PRIOR
Year of Acquisition
GA Group 3
IRS 7 YR



[1]The taxation of intangible personal property (OCGA 48-6-20 through 48-6-44) was repealed by Ga. L. 1996, p. 117, Article 6, effective March 21, 1996.

[2]The Albany MSA is Dougherty and Lee Counties; Athens MSA is Clarke, Jackson, Madison, and Oconee Counties; Atlanta MSA is Barrow, Butts, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Newton, Paulding, Rockdale, Spalding, and Walton Counties; Augusta MSA (Georgia counties only) is Columbia, McDuffie, and Richmond Counties; Chattanooga MSA (Georgia counties only) is Catoosa, Dade and Walker Counties; Columbus MSA (Georgia counties only) is Chattahoochee and Muscogee Counties; Macon MSA is Bibb, Houston, Jones and Peach Counties; Savannah MSA is Chatham and Effingham counties.

[3]Since homestead exemptions are not applied for bond-related millage rates, personal property tax revenue will be slightly smaller than its share of net assessed property value.

[4]The cost of producing a personal property tax bill includes salaries of county tax officials, materials, and overhead.

[5]Each year the Georgia Department of Revenue adopts a recommended depreciation schedule which counties can choose to use. This recommended schedule consists of depreciation rate structures for four different classes of property. Counties have the option of adopting their own depreciation schedule. (If the Appraisal Procedures Manual currently under review is adopted, counties will be required to use the state depreciation schedule.)

[6]Large firms were defines as firms with depreciable personal property valued at $85,000 or more. Small firms are those with depreciable personal property valued at less than $85,000.

[7]Georgia Group 1 and Group 4 most closely corresponds to the IRS 5 year category, and Georgia Group 2 and Group 3 most closely corresponds to IRS 7 year category under the half-year

convention General Depreciation Schedule. See Table 1 for a more detailed description of property in each category and IRS Publication 946, How to Depreciate Property for more information on federal depreciation schedules.

About the Author

Dagney Faulk is a Research Associate in the Fiscal Research Program and a Ph.D. candidate in the Department of Economics at Georgia State University. She received her undergraduate degree from Mount Vernon College in Washington, D.C. and has worked at USAID, the World Bank and the U.S. Department of Housing and Urban Development. Her research interests include state and local public finance and economic development.